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2016 Livestock and Products Annual Report

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Report Highlights:

FAS Moscow forecasts 2 percent reduction of cattle inventories and a decline of beef production to 1.315 MMT in 2017 due to weak investment. Record grain harvests may encourage more imports of feeder cattle and growth of domestic swine herds at leading farms. Beef consumption will likely decline 1.3 percent to 1.915 MMT, while pork consumption will grow 3.7 percent to 3.280 MMT as top pork producers reduce prices to match competition. Major meat companies continue to grow their market shares, while many smaller pork operations hit by low margins and a record ASF outbreak may close. Beef imports are anticipated at 0.6 MMT and pork at 0.4 MMT, mostly from Brazil or Belarus. Changes in state support are possible in 2017, as the pork industry is close to reaching capacity goals and the beef sector needs additional incentives for private investment.

General Information

NOTE: USDA unofficial data excludes Crimean production and exports. As of June 2014, the Russian Federal State Statistics Service (Rosstat) began incorporating Crimean production and trade data into its official estimates. Where possible, data reported by FAS/Moscow is exclusive of information attributable to Crimea.

Executive Summary

Cattle and Beef

Cattle Production

FAS/Moscow anticipates 2 percent decline of Russia's cattle stocks to approximately 18.05 million head, and 2.8 percent decrease of dairy cows to 7,580 in 2017. The estimate of cattle inventories, including cows has been also revised downward to 7.8 million in 2016. The sector outlook remains unfavorable for private investments due to expensive credit and high level of uncertainty in terms of milk prices in the mid-term. Low margins from milk sales discourage farmers from growing milking herds. The Government of Russia (GOR) has not implemented dairy sector support programs as planned due to low 2016 budget revenues. The low investments both in milk and beef projects in 2016 will have negative effects on cattle stocks in 2017.

Cattle Trade

FAS/Moscow forecasts growth of live cattle imports to 90,000 head in 2017 from the revised 65,000 head in 2016. The 2017 Russia GDP forecast has been recently revised upwards by multiple institutions to 1.3-1.4 % annual growth, and as soon as the economic situation improves, imports of purebred breeding and commercial cattle will likely return to pre-crisis level because there is a demand for highly productive cattle at dairies and beef farms. Shipments of beef steers for feedlots from Australia may grow in the second half of 2016 and in 2017 as the appreciation of the ruble and expectations of a good harvest of feed crops may encourage beef industry leaders to purchase steers for feedlots.

Beef Production

FAS/Moscow forecasts beef production to continue declining to 1.315 MMT (CWE) in 2017 mostly due to reduced numbers of cattle for slaughter. The share of domestic beef likely remains at 68-69 percent of the domestic beef consumption in 2017. The growth of domestic production is limited by the shrinking cattle inventories at dairies. Accelerated production growth at major beef farms has not yet offset the reduced beef outcome from shrinking herds at dairy farms.

Beef Trade

Beef imports in 2017 are forecasted to remain 610,000 MT CWE, unchanged from the revised 2016 forecast. No major changes in beef trade regime are expected in 2017 compared to 2016. Tariff rate quotas and trade restrictions due to countersanctions will influence the beef trade. Belarus, Brazil and Paraguay will likely remain the major suppliers. Beef exports in 2017 are also forecasted unchanged from the 2016 estimate, 10,000 MT CWE. However, growth of beef exports is possible in future, as the industry leaders have intensified their efforts to open new markets for premium category beef.

Beef Consumption

FAS/Moscow forecasts approximately 1.3 percent beef consumption decline in 2017 to 1.915 MMT (CWE). Beef will face more competition from falling pork prices and affordable poultry meat, which will continue to replace bovine meat both in retail and meat processing. Despite slight improvement in some macroeconomic and financial indicators, consumer spending continues to fall, and demand for meat will likely to remain as price sensitive as it has been in 2016. In addition to weak demand for beef in retail, recent changes in the regulations of government purchases may have a negative impact on beef consumption, while favoring the purchases of domestically produced pork and poultry.

Swine and Pork

Swine, Production

The swine herd is anticipated to continue growing to 22.75 million head by the end of 2017, which is a 2 percent annual increase from 22.3 million head – the revised forecast of the 2016 year-end inventories. Despite the challenging financial and epizootic situation in the sector, leading commercial pork producers continue implementation of their investment projects. Industry leaders focused on optimization of their operations and managed to continue expansion in spite of a drop of prices for live pigs in the first half of 2016. Further improvement of the average performance indicators, such as sow productivity, slaughter weights and feed conversion ratio are anticipated in 2017 as more efficient producers replace less efficient farms. Specifically, backyard farms, which have been hit by a record outbreak of African Swine Fever (ASF) during the summer of 2016.

Swine, Trade

Imports of 6,000 head of breeding swine are expected in 2017 from the countries that have not been banned due to veterinary and SPS concerns. Restoration of live swine imports for slaughter is unlikely even when the epizootic situation improves because Russian farms now produce a sufficient quantity of market hogs. Exports of live swine from Russia are problematic due to epidemic ASF in the country.

Pork Production

Pork production is anticipated to continue growing to 2.9 MMT (CWE) in 2017 as industry leaders continue to expand output and gain market share over smaller commercial and backyard farms, which are disproportionately hit by falling pork prices and African Swine Fever. However, the margins of even the most efficient producers will be most likely impacted by the downward trend in pork prices.

Pork Trade

FAS/Moscow forecasts 400,000 MT (CWE) of pork imports in 2017, anticipating no major changes from the revised 2016 volume, 410,000 MT (CWE). Actual imports will depend on world pork prices and the exchange rate of Brazilian Real because favorably priced frozen pork cuts from Brazil account for the majority of Russia's imports. Similar to beef, pork trade in 2017 will be impacted by the counter-sanctions ban and shaped by purchasing decisions of major importing companies – holders of in-quota import licenses.

Pork Consumption

FAS/Moscow forecasts domestic pork consumption to grow to 3.280 MMT in 2017 as industry leaders compete for market share and will likely offer very attractive prices to consumers. Pork meat will likely start regaining the market share it lost as a result of the multiple market shocks in 2014-15. The forecast

depends on the assumption that Russia will return to marginal annual GPD growth in 2017 with some improvement of consumers' disposable incomes.

Cattle

Table 1. Russia: Cattle Numbers, 1,000 Head

Animal Numbers, Cattle Market Begin Year Russia	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stocks	19,152	19,152	18,838	18,838	0	18,430
Dairy Cows Beg. Stocks	7,982	7,982	7,820	7,800	0	7,580
Beef Cows Beg. Stocks	490	490	500	520	0	540
Production (Calf Crop)	6,635	6,600	6,519	6,520	0	6,360
Total Imports	85	144	55	65	0	90
Total Supply	25,872	25,896	25,412	25,423	0	24,880
Total Exports	24	25	24	15	0	20
Other Slaughter	6,660	6,655	6,450	6,613	0	6,460
Total Slaughter	6,660	6,655	6,450	6,613	0	6,460
Loss	350	378	345	365	0	350
Ending Inventories	18,838	18,838	18,593	18,430	0	18,050
Total Distribution	25,872	25,896	25,412	25,423	0	24,880
(1,000 HEAD)						

NOTE: Not Official USDA data;

Official USDA data is available at <http://apps.fas.usda.gov/psdonline/>

Cattle Production

Despite the signs of improvement of the macroeconomic situation and expectations of Russia's return to marginal GDP growth in 2017, the long term negative trend of cattle inventories will likely continue for another year. FAS/Moscow forecasts 2 percent decline of the country's cattle stocks to approximately 18.05 million head by the end of the next year.

As of July 1, 2016 Rosstat reported 19.8 million total head of cattle and 8.42 million head of cows; at all farms inventories declined by approximately 2 percent compared to July 1, 2015. Unlike highly industrialized and expanding pork and poultry industries, cattle farming remains less developed as a sector due to low incentives for inflow of private capital and difficulties in obtaining the long-term credit required for modernization of the sector. As of July 1, 2016, commercial beef and dairy farms accounted for only 43 percent of total cattle herd and 40 percent of cows.

Because the national cattle herd consists mostly of dual purpose breeds at dairy farms, growth in cattle inventories may be anticipated if better margins from milk sales motivate farmers to increase milking

herds or if state support of cattle projects becomes more timely and consistent. Neither factor improved during the first half of 2016. The average producer price for raw milk in July 2016 was only 20.7 Rub/kg, a very modest 5.3 percent growth year-on-year considering the 7.2 percent year-on-year inflation reported in July 2016, and a fact which has challenged producers already struggling under higher operational costs. Also, the Government of Russia (GOR) has not implemented dairy sector support programs as planned due to low 2016 budget revenues. For example, the GOR postponed the start of the state intervention purchases which are intended to stabilize prices for raw milk during the seasonal price drop in summer months. The sector outlook remains unfavorable for inflow of private investments, in large part because credit remains expensive, considering 10.5 percent Central Bank (CBR) key rate, and prime rates exceeding 20 percent. Consequently, the low investment level both in milk and smaller-scale beef projects in 2016 will have prolonged negative effects on cattle stocks in 2017. FAS/Moscow revised downward its estimate of dairy cows in 2016 to 7.8 million, and anticipates a further 2.8 percent decrease of the dairy cow herd in 2017.

FAS/Moscow revised its 2016 estimate of beef cattle inventories upwards to reflect accelerated growth of beef cattle herds at farms owned by beef industry leaders, which continue expansion in 2016 and plan for further growth in 2017. For example, ABH “Miratorg” continued the implementation of its major beef cattle project in several regions. In July 2016 the company reported that its Aberdeen Angus herd exceeded 420 thousand heads. ABH “Miratorg” currently runs 56 farms located in Bryansk, Kaliningrad, Kaluga, Orel, and Smolensk regions. This spring calving season, Miratorg beef farms produced more than 90 thousand heads, which is a record number for the Russian beef industry. The company expects a more than 124 thousand head total calf crop in 2016; which is 20 percent growth compared to the company’s results in 2015. Since the beginning of 2016 Miratorg has launched five new cattle farms and announced plans to launch eight new farms in Orel Region. The company plans to invest an additional six billion rubles (approximately USD 93 million) in its beef project.

FAS/Moscow revised 2015 “loss” numbers upwards based on final Rosstat data showing 1.97% loss to inventories. The 2016 estimate was also increased due to the worsening epizootic situation, specifically in relation to lumpy skin disease in cattle in the southern regions. As of August 25, 2016, Rosselkhoznadzor had registered 273 outbreaks of lumpy skin disease in 13 regions¹. Most of the cattle in the affected regions are managed at backyard farms, and this makes it more problematic for veterinary authorities to control the spread of the disease.

Cattle Trade

FAS/Moscow forecasts growth of live cattle imports to 90,000 head in 2017 from the revised 65,000 head in 2016. As soon as the economic situation improves, imports of purebred breeding and commercial cattle will likely return to pre-crisis level because there is a demand for highly productive cattle at dairies and beef farms. Shipments of beef steers for feedlots from Australia may grow in the second half of 2016 and in 2017 as the appreciation of the ruble and expectations of a good harvest of feed crops may encourage beef industry leaders to purchase steers for feedlots.

Leading cattle businesses have proved the commercial benefits of highly productive cattle, and agricultural authorities recognize the need to enhance the country’s livestock genetics to reach strategic

¹ <http://www.fsvps.ru/fsvps-docs/ru/iac/operative-messages/2016-08-26.pdf> ; http://www.fsvps.ru/fsvps-docs/ru/iac/ook/2016/08-26/nd_rf.pdf

beef and dairy production goals. Based on recent decisions, the GOR will likely continue to support cattle breeding operations; however, the 2017 budget for beef and dairy state programs has not been determined as of now, and some reduction of funds for specific sub-programs is possible.

The recently extended counter-sanctions [trade restrictions](#) on agricultural products from major western suppliers do not restrict live cattle and genetic material. Additionally, in June 2016 President Putin signed the [Amendments to the Tax Code](#) to exempt from VAT payments the trade operations with purebred breeding agricultural animals. The Amendments reduce the VAT rate from 10 to 0 percent until December 31, 2020. The zero VAT rate shall be applied to trade operations with domestic and imported purebred breeding cattle, semen and embryos of purebred breeding bulls.² In case of imports, the exemption shall be granted upon the submission of the documents to Customs in accordance with the Federal law 123 FZ – 08.03.1995 On Livestock Breeding.

The Federal Customs Service reported 40,793 head live cattle imports in the first half of 2016, total value of these shipments was USD 63.678 million. More than half of these imports, 26,672 head, are steers for feed-lots from Australia (HS Code 010229). Russia imported purebred breeding dairy heifers in January-June 2016 mostly from EU suppliers - the Netherlands (5,650 head), Germany (1,100 head), Hungary (1,100 head), France (583 head), Denmark (451 head), Ukraine (300 head), and Finland (117 head). According to industry contacts, imports of live cattle in 2016 were below the demand mostly due to the volatility of producers' margins, fluctuations of the exchange rate, and high level of uncertainty in the milk market resulting in difficulties in financing new cattle purchases.

FAS/Moscow revised 2015 cattle imports to 144,000 head. The correction is made to include the unusual spike in cattle shipments from Kazakhstan to 50,673 head in 2015 from only 425 head in 2014. According to industry contacts and available publications³ the movement of cattle in 2015 could be related to the bankruptcy of a major Russian-Kazakhstani agricultural company, and trans-border transfer of its assets.

FAS Moscow forecasts 20,000 head of cattle exports in 2017, which is a minor increase from the revised 15,000 head exports in 2016. No significant growth of live cattle shipments from Russia is expected because of the deficit of cattle in the domestic market and the weak economic outlook in the countries that traditionally buy cattle from Russia. Some recovery in exports of cattle for slaughter to Azerbaijan is possible in 2017, after the fall of trade in 2016 due to economic recession in both countries.

Beef

Table 2. Russia: Beef and Veal Production, Supply & Distribution (1,000 MT CWE⁴)

Meat, Beef and Veal Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						

² The VAT exemption is also applicable for purebred breeding animals and genetic material of other agricultural animals including poultry (hatching eggs), swine, sheep, goats, and horses.

³ Reading in Russian: <http://ko.ru/keys/item/131205-zasokhshaya-imperiya> ; <http://www.kommersant.ru/doc/2729977> ; <http://kommersant.ru/doc/3047793>

⁴ CWE – Carcass Weight Equivalent

Slaughter (Reference)	6,660	6,655	6,450	6,613	0	6,460
Production	1,355	1,355	1,310	1,340	0	1,315
Total Imports	625	621	625	610	0	610
Total Supply	1,980	1,976	1,935	1,950	0	1,925
Total Exports	9	10	10	10	0	10
Human Dom. Consumption	1,971	1,966	1,925	1,940	0	1,915
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,971	1,966	1,925	1,940	0	1,915
Ending Stocks		0	0	0	0	0
Total Distribution	1,980	1,976	1,935	1,950	0	1,925

(1,000 HEAD; 1,000 MT CWE)

NOTE: Not Official USDA data;

Official USDA data is available at <http://apps.fas.usda.gov/psdonline/>

Beef Production

FAS/Moscow forecasts beef production to continue declining to 1.315 MMT (CWE) in 2017 mostly due to lack of investments in new dairy herds and high entrance costs for new beef projects in 2016. The influence of the soviet approach to beef as a by-product of the dairy industry remains strong, and the cattle farming sector in Russia is still transitioning to more specialization between dairy and beef operations, and the majority of beef in Russia still originates from dairy cattle. Moreover, according to Rosstat, only 41 percent of beef was produced by commercial agricultural organizations in the first half of 2016 (compare to 95 percent share of commercial production in poultry meat and 85 percent in pork)⁵. Accelerated growth of production at major beef farms has not yet offset the reduced beef output from shrinking livestock inventories at dairies.

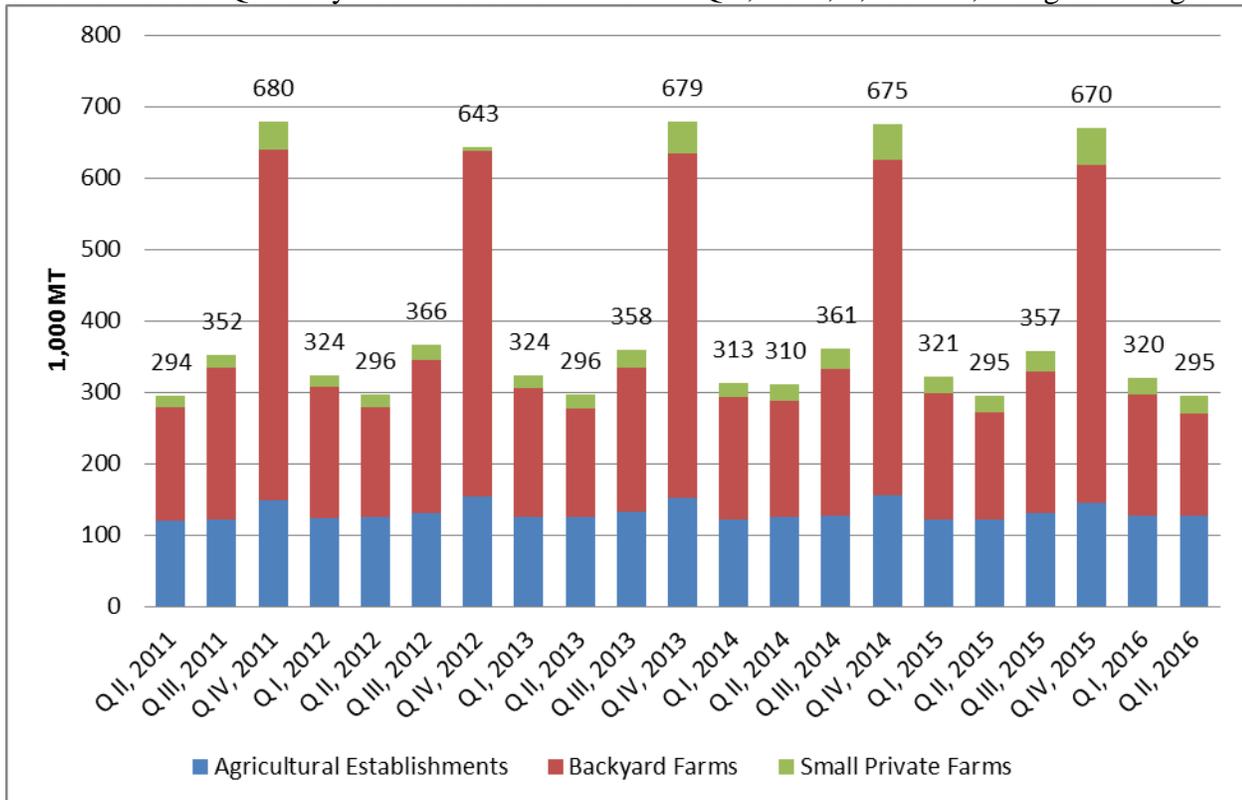
Backyard beef production follows the declining trends of rural population and number of backyard farms, which is unlikely to change in the mid-term⁶. Only a few major dairy cattle projects continued to expand in 2016 due to pressure of the increased operational costs, volatile margins, and expensive credit. Additionally, modernization of milk production at commercial farms has resulted in fewer feeder cattle for slaughter. Commercial milk companies focus on milk productivity, implement innovative dairy herd management methods, switch to specialized dairy breeds, and use the newest reproductive technologies to raise the percentage of heifer calves.

⁵ Source: Rosstat, Livestock production data in January-June 2016

⁶ Official statistical data on beef and milk production by backyard farms in Russia has been a subject for constant critique from the industry, and hopefully will be improved after 2016 All-Russian Agricultural Census. The census began in July 2016 and data collection in the remote rural areas will continue until November 2016. Preliminary results will be released in the 4th quarter of 2017; the publication of final data is scheduled for the 4th quarter of 2018. Interviewers will collect data directly from 45,000 agricultural enterprises (including 21,000 micro enterprises). Participation in the Census is obligatory for registered agricultural businesses. Interviewers will come to each of 219,000 peasant (private) farms and individual entrepreneurs registered in Russia. Sample statistic methods will be used to survey 23 million backyard farms. [Survey](#) includes questions about age and qualifications of workers, land size, types of crops, yields, fertilizers, use of borrowed funds, state subsidies, innovative operations methods, livestock and poultry inventories and productivity. The previous census (first in the history of modern Russia) was conducted in July 2006. <http://www.vshp2016.ru/news/8072/RS1593> [Classification of Agricultural Producers in Russia](#)

FAS/Moscow forecasts 1.34 MMT (CWE) beef production in 2016 based on the available official data of beef production and cattle inventories. The minor increase from the previous forecast is based on the bigger than previously anticipated slaughter numbers. The increased slaughter reflects both the development of beef cattle operations by a few leading companies and culling of the milking-herd by dairy farms.

Chart 1. Russia: Quarterly Beef Production in 2011 – Q 2, 2016; 1,000 MT; Slaughter Weight



Source

: Emeat

NOTE: Not Official USDA data; may include products not reportable in PSD

Beef Trade

Similar to previous years, the share of domestic beef will unlikely exceed 68-69 percent of the total beef consumption in 2017 because the growth of domestic production is limited by the shrinking cattle inventories. FAS/Moscow forecasts 2017 beef imports to remain 610,000 MT CWE, unchanged from the revised 2016 forecast, as no major changes in beef trade regime and demand for beef are expected in 2017 compared to 2016.

The counter-sanctions [ban](#) on a variety of agricultural products (including beef, HS codes 0201, 0202, and 0210) from a number of western countries has been extended until the end of 2017. According to presidential decree # 305, the trade restrictions are identical to those of June 24, 2015, except for that the terms are now extended for 18 months, through December 31st, 2017. (Please refer to [RFATO038](#); [RS1540](#) for detailed information).

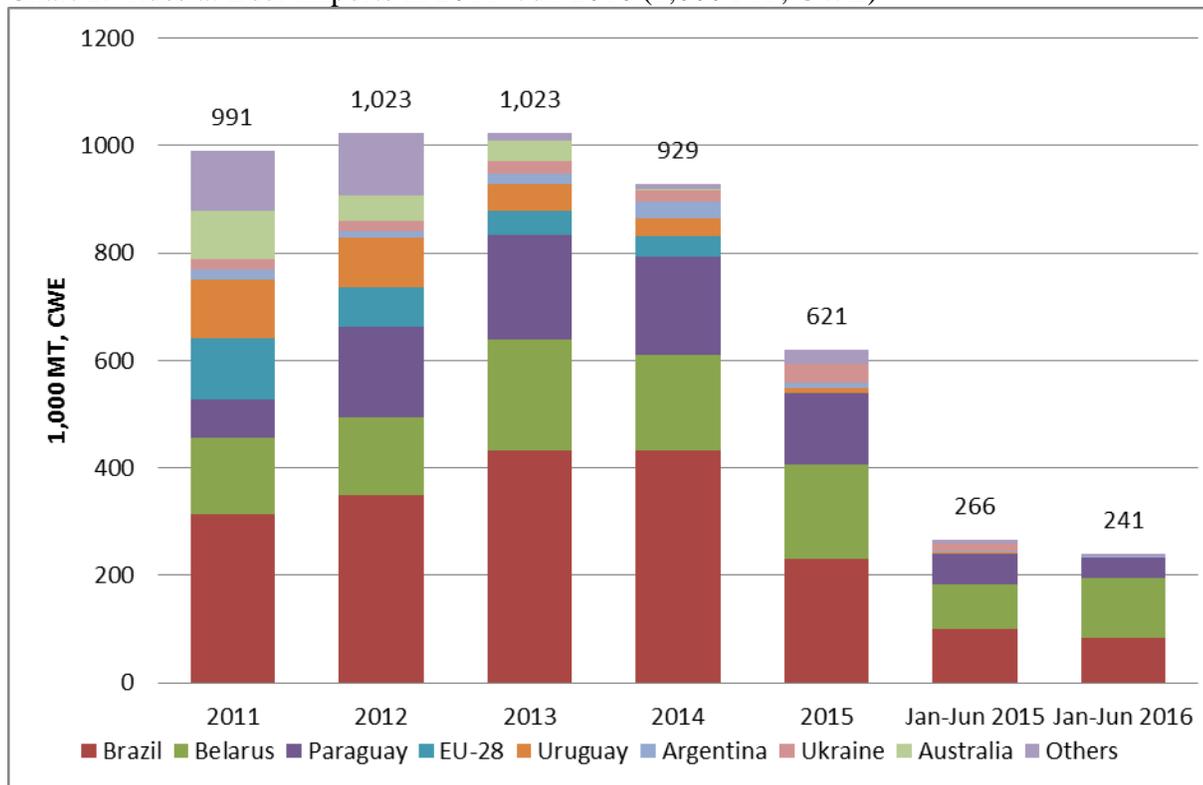
GOR has recently made a minor change to the trade restrictions (the Decree # 472 in May 2016) to exclude some organic ingredients for the production of baby food from the ban. The decision [reportedly](#) was taken to support the operations of the [large baby food production plant](#) in Kaliningrad region. According to the MinAg drafts, 55 MT of HS Code 0202309005, Organic frozen boneless beef and veal cuts, are included in the list of exceptions.⁷

The tariff rate quota trade regime continues without change in 2017, and EAEU members can trade without paying tariffs. Russian importers are currently allowed to bring in 40,000 MT of chilled beef and 530,000 MT of frozen beef under 15% in-quota tariff rates (compare to 55% tariff out of quota). Importers are motivated to maintain meat trade volumes because the distribution of quotas within TRQs is based on the 3-year historical shares of the importing company in total trade. Bigger shares in trade in 2016 will allow importers to receive a license for bigger in-quota volumes in 2017 and 2018. As estimated by E-Meat, importers utilized 21.5 percent of TRQs for frozen beef (HS Code 0202), which amounted to 133,900 MT in January-August 2016. Approximately 93 percent of all beef imports from outside of the EAEU in that time were in-quota shipments of frozen beef. The imports of chilled beef from non-EAEU exporters almost stopped: only 500 MT of chilled beef was shipped in January-August 2016

As reported by the Federal Customs Service, three countries – Belarus, Brazil and Paraguay – accounted for 96 percent of Russia's beef imports in January-June 2016. Belarus increased its beef exports to Russia by 34 percent compared to the same months in 2015, and shipped 109,644 MT CWE. Of these shipments, 70 percent were fresh or chilled beef (HS Code 0201). Brazil accounts for 35 percent, and Paraguay for 16 percent of beef imports in the first half of 2016. Frozen beef (HS Code 0202) makes up 99 percent of beef shipped to Russia from Latin America.

⁷ The decree also allowed to import 10 MT of organic chicken meat HS Code 0207141009 and 15 MT of organic turkey meat HS Code 0207271009. Pork was not added to the list of products in the Decree # 472. Please refer to [RS1628](#) for detailed information.

Chart 2. Russia: Beef Imports in 2011- Jun 2016 (1,000 MT; CWE)



Sources: Source: Federal Customs Service of Russia; Belstat (2011-2014)

FAS/Moscow made a downward correction of its previous forecast from flat to 1.7 percent decline year-on-year, anticipating 610,000 MT (CWE) of beef imports in 2016 mostly due to lower than anticipated imports from Brazil in second quarter of 2016, when importers invested in pork because of lower prices. Imports of frozen beef usually grow in the second half of the year, so if currency rates remain favorable for the exporters from Latin America, the in-quota shipments of frozen beef may grow before the end of 2016; however, the total beef imports in 2016 from all suppliers are expected to decrease from 2015 levels due to restrictions on use of imported beef for public procurement needs⁸ and increased competition from other meats, specifically pork.

FAS/Moscow forecasts Russian beef exports at 10,000 MT CWE in 2017, unchanged from 2016 estimate. A spike in exports during 2017 is unlikely because competition in world markets targeted by Russian exporters, in particular in Asia and the Middle East, remains strong. However, growth is possible in future, as the industry leaders have intensified their efforts to open new markets for Russian meat. Their efforts are currently focused on finding new destinations for poultry and premium category beef.

The Russian Ministry of Agriculture has shifted its focus from searching for meat suppliers to expanding new markets for Russian producers since 2015. In 2015-2016 Rosselkhoz nadzor has revised the inspections schedule in favour of inbound missions. Russian authorities organized and hosted visits of

⁸ Total volume of these purchases is classified data not available from open sources.

veterinary inspectors from various countries including Azerbaijan, Vietnam⁹, China, UAE, Egypt, Iran and others. In addition, the GOR [announced plans](#) to increase the charter capital of Eximbank of Russia to Rub 30 billion (approx. USD 460 million) over three years to finance exports.

Beef Consumption

FAS/Moscow forecasts approximately 1.3 percent beef consumption decline in 2017 to 1.915 MMT (CWE). Beef will face more competition from falling pork prices, affordable broiler meat and growing domestic supplies of turkey, which will continue to replace bovine meat both in retail and meat processing.

Despite slight improvement in some macroeconomic and financial indicators¹⁰, consumer spending continues to fall. The current economic crisis has hit the Russian households more strongly than the previous crisis of 2008-2009, and in this respect is often compared to the systemic crisis in 1990's. Real disposable incomes decreased by one percent in 2014, by four percent in 2015, and continue to decline in 2016 – minus 5.3 percent in January-July. Retail turnover fell by 9.9 percent in 2015; consumer expenditures declined 5.7 in the first half of 2016 compared to first half of 2015. Poverty rates in Russia have grown; the population with income below the minimum subsistence level¹¹ grew from 15.9 million in 2013 to 19.2 million people in 2015¹². The continued decline of consumer spending in 2016 suggests that the economic outlook remains unfavorable for beef as a premium meat product.

Average consumer prices for beef remain 30 percent higher than prices for pork, and over 140 percent higher than for broiler meat. For example, Rosstat reported the average consumer price 311.6 Rub/kg. of bone-in beef, and 131.2 Rub /kg of broiler carcass in July 2016. The average price per one kg of boneless beef in July 2016 was 451.3 Rub/Kg, while one kg of boneless pork cost 343.5 Rub /kg. Further, consumer prices for beef rose on average 3 percent in the first half of 2016, while retail prices for broiler meat and pork fell an average of 3 and 6 percent, respectively. Considering expectations for lower pork prices due to excessive supplies, the price difference between beef and other meats will likely increase next year.

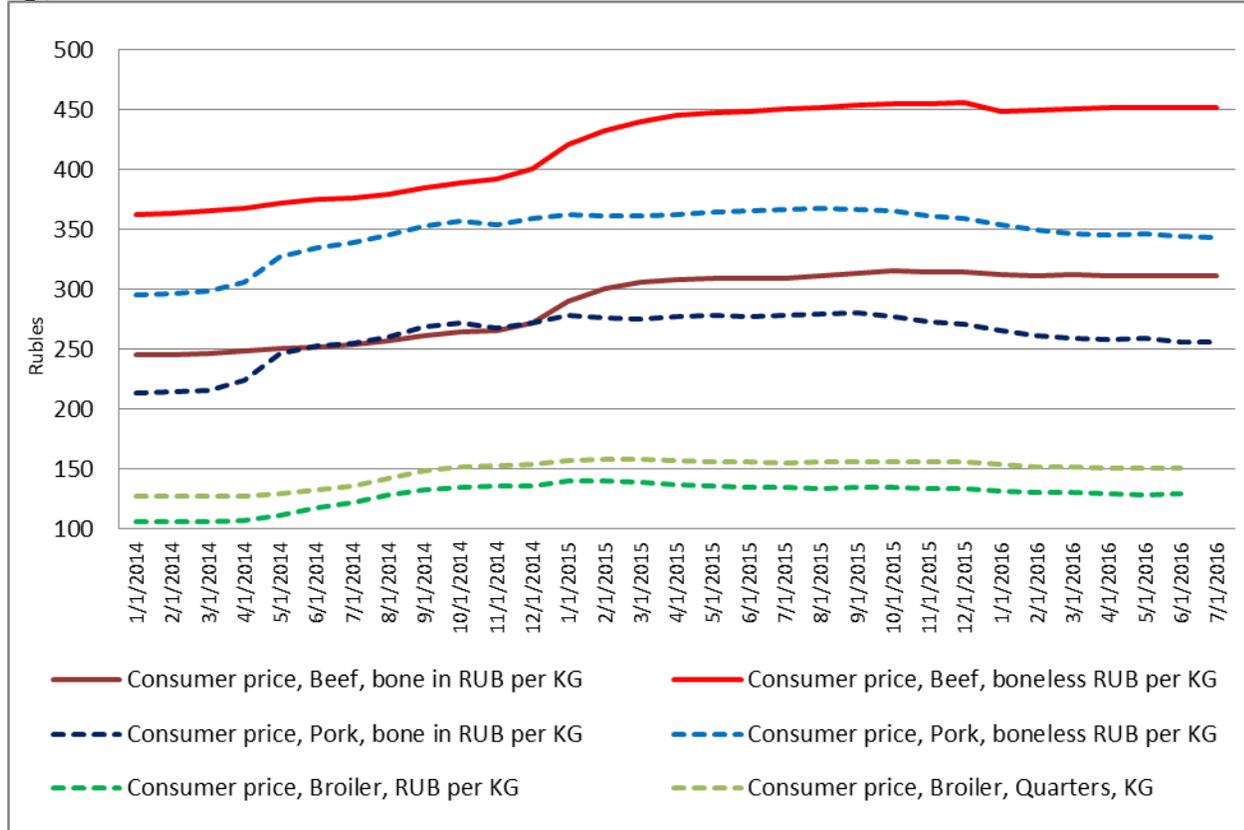
⁹ Noteworthy to mention is that the EAEU has ratified the [Free Trade Agreement with the Socialist Republic of Vietnam](#) on July 28, 2016.

¹⁰ CPI in July of 2016 was 7.2 percent year-on-year, the lowest reading since March 2014. Exchange rate [Official RUB to USD](#) Exchange rate peaked on January 22, 2016 at 83.59 Rub per USD; Official exchange rate as of August 31, 2016 is 64.90 Rub per USD. Ruble remained relatively stable and appreciated approximately 10 percent between January and August 2016.

¹¹ Minimum subsistence level in 2016: approximately RUB 9,452 (USD 145) per month .

¹² Source:Rosstat

Chart 3. Russia: Consumer Prices for Beef, Pork, and Poultry in January 2014 – July 2016 (rubles per kg.)



Source

: Rosstat

In addition to weak demand for beef in retail, recent changes in the regulations of government purchases may have a negative impact on beef consumption, while favoring the purchases of domestically produced pork and poultry. On August 22, 2016 GOR issued [Decree # 832](#) to ban goods originating from non-EAEU member countries for public procurement purposes. The Decree contains a list of various products subject to the ban including chilled and frozen beef and veal, chilled and frozen pork, and chilled (but not frozen) poultry meat. Unlike beef producers, domestic pork and poultry companies have sufficient capacity to substitute products imported under public procurement contracts at comparable prices. Bearing in mind the GOR initiative to freeze budget spending for three years, price-conscious [state and municipal procurement](#) services may switch to pork and poultry, further decreasing beef consumption.

Swine

Table 3. Russia: Swine Numbers, 1,000 Head

Animal Numbers, Swine Market Begin Year Russia	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	19,405	19,405	21,267	21,267	0	22,300
Sow Beginning Stocks	2,420	2,420	2,480	2,480	0	2,540
Production (Pig Crop)	39,760	39,760	41,000	41,031	0	42,316
Total Imports	2	2	2	5	0	6
Total Supply	59,167	59,167	62,269	62,303	0	64,622
Total Exports	2	2	0	3	0	2
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	35,800	35,800	37,770	37,700	0	39,500
Total Slaughter	35,800	35,800	37,770	37,700	0	39,500
Loss	2,098	2,098	2,300	2,300	0	2,370
Ending Inventories	21,267	21,267	22,199	22,300	0	22,750
Total Distribution	59,167	59,167	62,269	62,303	0	64,622

(1000 HEAD)

NOTE: Not Official USDA data;

Official USDA data is available at <http://apps.fas.usda.gov/psdonline/>

Swine, Production

The swine herd is anticipated to continue growing to 22.75 million head by the end of 2017, which is a 2 percent annual increase from 22.3 million head – the revised forecast of the 2016 year-end inventories. Despite the challenging financial situation in the sector, leading commercial pork producers continue implementation of their investment projects. As of July 1, 2016, swine inventories at commercial farms were 9.92% (1.69 million head) higher than in July 2015. Growth in the industrial farms has offset the 4.2 percent (0.173 million head) decrease of swine numbers at backyard farms¹³. The reported growth of commercial swine herd is stronger than previously forecasted. Industry leaders focused on optimization of their operations and managed to continue expansion in spite of a 10 percent drop in prices for live pigs¹⁴ in the first half of 2016 resulting in deteriorated margins of farrow-to-finish hog farms.

Major meat producers in Russia typically own the whole business process from growing feed crops through meat processing or retail stores rather than outsource these activities. The large-scale agricultural producers with diversified activities are better prepared to cope with reduced profits than

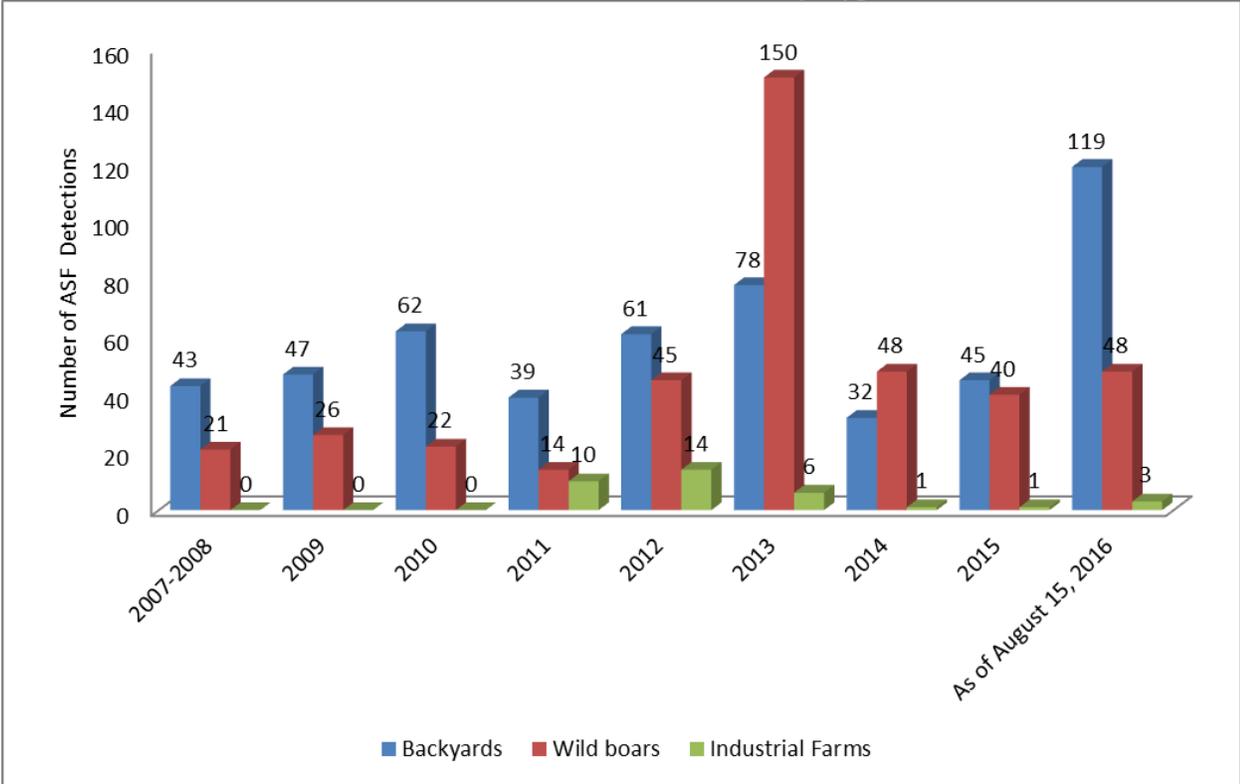
¹³ Source: Rosstat

¹⁴ Source: Rosstat: Average producer price for 1 kg. live weight in Russia in June 2016 was 87.56 ruble or 17.4 percent less than in June 2015. Source “Emeat”: In August 2016 the average prices for live pigs for slaughter in the Central Federal District of Russia were 100.2 ruble per kg. for Category I, and 99.1 ruble per kg. for Category II which is 13.5 and 12.6 decrease year-on-year correspondently.

smaller businesses, which focus primarily on farm operations. Large companies have more flexibility in terms of efficient herd management and are able to sustain profitability by balancing losses and gains of different operational units. Responding to worsened sector profitability, pork industry leaders focused their efforts on improving animal health and herd performance to increase farrowing, litter, and livability rates. The most efficient companies report the annual number of piglets saved per farrowing as high as 26.15 – 27.7 with an average 2.3 farrowings per year, and mortality during weaning and finishing phases as low as 0.4 - 0.5%¹⁵. Noting this, FAS/Moscow increased its estimate of 2016 year-end inventories and the size of the annual domestic pig crop. Further improvement of the average annual piglets saved per sow ratio is anticipated in 2017 as more efficient producers will continue replacing the less efficient farms. FAS/Moscow also reduced the slaughter estimate by 70,000 head in 2016 to 37.7 million head, which reflects the higher slaughter weights of the animals at the leading farms due to expectations of a good harvest of feed crops.

While industrial pork farms will be growing their swine herds, the inventories at backyard farms most likely continue to shrink in 2017. In addition to falling revenues and increased production costs, backyard farms have been strongly hit by a record outbreak of African Swine Fever (ASF) during the summer of 2016. As of August 15, 2016, Rosselkhoznadzor reported 119 active ASF outbreaks in domestic pigs and 48 in wild boars. The number of new outbreaks has already exceeded the [Rosselkhoznadzor forecast](#), and is likely to further increase before the end of the year.

Chart 4. ASF in Russia in 2007-2016; Number of Detections by Types Infected Facilities



Source: Rosselkhoznadzor

¹⁵ Data Sources: [ABH “Miratorg”](#); [“Agro-Belogorje” Group](#); [“Cherkizovo” Group](#)

The [Decree of the Ministry of Agriculture N 114](#) of March 29, 2016, imposed new veterinary sanitary rules obligatory for all types of swine farms beginning July 18, 2016. The major issue is that non-commercial swine farms are often not registered and poorly managed in terms of compliance with the new veterinary and sanitary requirements. It's not uncommon for some farmers to refuse entry to the disease eradication teams or veterinary inspectors, or they do not report outbreaks and simply hide infected corpses in the nearby forests, increasing the risk of further spread of the disease into wild boars. As a result, the virus has returned to regions where it had been eradicated in the past.

Industrial pork producers have implemented exceptional veterinary and sanitary practices and have managed to minimize the spread of ASF into large-scale farms so far¹⁶, but the biological risk remains high. In addition, the epidemic in Russia limits the export potential of the pork industry and constrains further development of the sector. Industrial producers strongly lobby for strict veterinary control or even a permanent ban on swine rearing at homestead farms, but the issue becomes very controversial taking into consideration deteriorated incomes, the difficult socio-economic situation in the rural areas, and the importance of pork farming for rural population as self-employment during the ongoing economic downturn.

Swine Trade

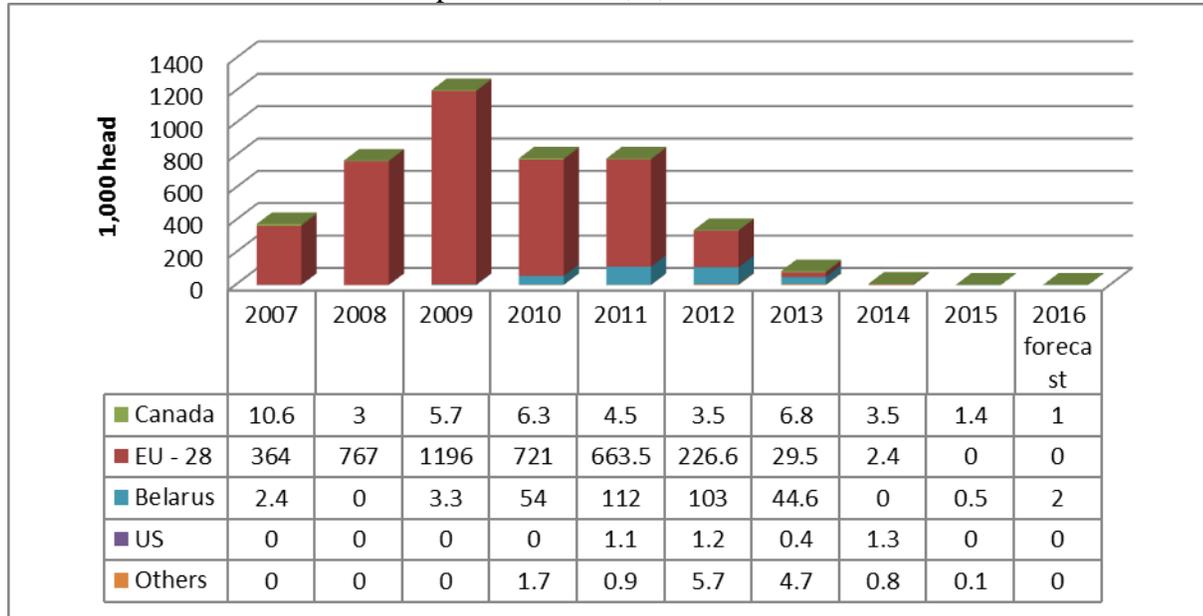
In the past, Russia imported hundreds of thousands of live swine for slaughter and breeding purposes. All imports of live swine from traditional suppliers halted in early 2014, when Rosselkhozadzor banned exports from Belarus and the EU over ASF concerns¹⁷. Exports of pedigree pigs from Canada and US were also banned in 2014 due to Porcine Epidemic Diarrhea outbreaks. Canada has since been allowed to re-enter the market.

Restoration of live swine imports for slaughter is unlikely even when the epizootic situation improves because Russian farms now produce a sufficient quantity of market hogs. However, genetic materials and animals with specific qualities for breeding purposes are still in demand, as the industry is focused on further improvement of genetic potential of the national swine herd.

¹⁶ As of August 15, 2016, 3 ASF cases were confirmed at commercial farms

¹⁷ In April 2014 the EU initiated WTO dispute over Russia. For information on the current status of the on-going dispute, please refer to https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds475_e.htm

Chart 5. 10 Years Live Swine Imports in Russia, 1,000 Head



Source: Federal Customs Service

Similar to live cattle, live swine and swine genetic material are excluded from the [trade restrictions](#) which the GOR imposed in August 2014. Thus, Russian breeders were able to import 436 pedigree animals from Norway in 2015, at an average USD 2,443 per head. Shipments of breeding swine from Norway continued in 2016, and the unit price grew by 61 percent to USD 3,943 per head. In April 2015 Rosselkhoznadzor lifted its PED-related ban on pedigree animals from Canada, which shipped 1,377 breeding animals in 2015 (unit price USD 2,336) and 718 animals during 6 months of 2016 (unit price USD 4,146). There are 117 specialized swine breeding farms in Russia, and these businesses are interested in continued supply of quality genetics from world leading breeders. The trade will likely continue in 2017, and FAS/Moscow anticipates imports to increase to 6,000 head.

Exports of live swine from Russia are problematic due to epidemic ASF in the country; however, Russia shipped 3,340 head of slaughter swine (HS 010392) to Eastern Ukraine and 164 head of purebred breeding animals (HS Code 010310) to Kazakhstan in January-June 2016.

Pork

Table 4. Russia: Pork Production, Supply & Distribution (1,000 MT CWE)

Meat, Swine Market Begin Year Russia	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	35,800	35,800	37,770	37,700	0	39,500
Production	2,615	2,615	2,675	2,770	0	2,900
Total Imports	408	408	355	410	0	400
Total Supply	3,023	3,023	3,030	3,180	0	3,300
Total Exports	7	7	10	20	0	20
Human Dom. Consumption	3,016	3,016	3,020	3,160	0	3,280
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	3,016	3,016	3,020	3,160	0	3,280
Total Distribution	3,023	3,023	3,030	3,180	0	3,300

(1000 HEAD; 1000 MT CWE)

NOTE: Not Official USDA data;

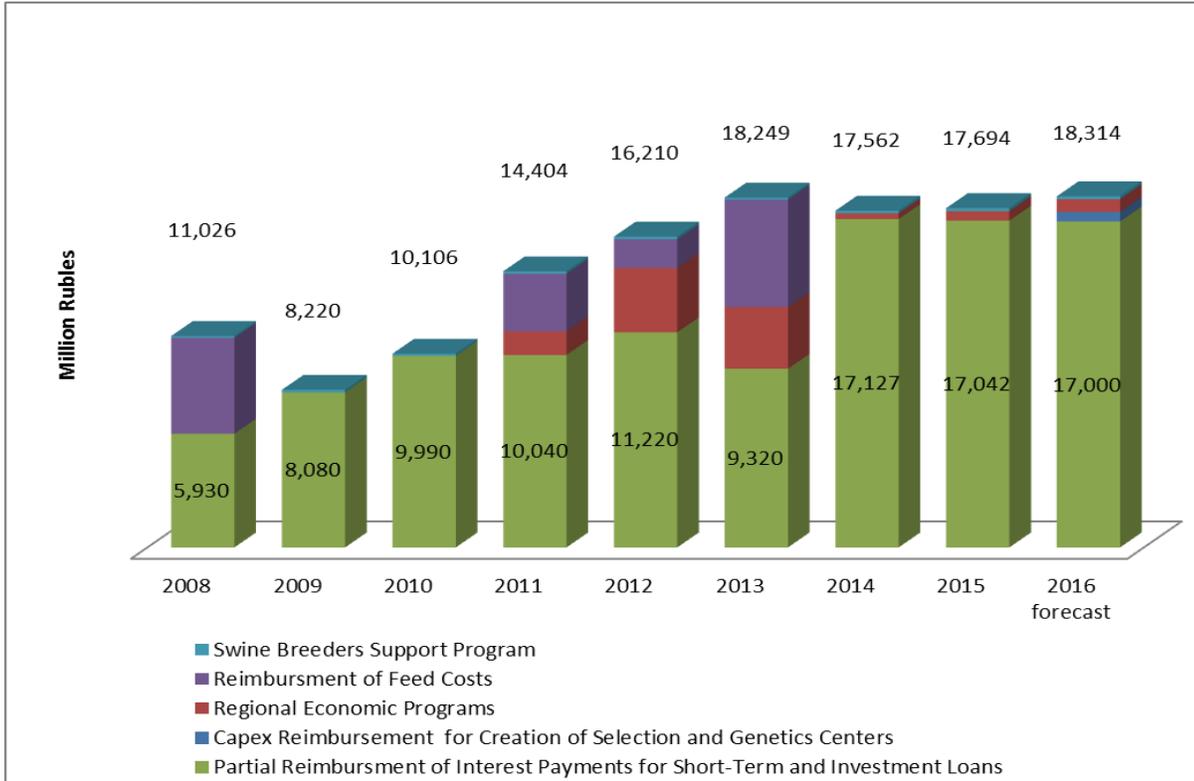
Official USDA data is available at <http://apps.fas.usda.gov/psdonline/>

Pork Production

Pork production is anticipated to continue growing to 2.9 MMT (CWE) in 2017 as industry leaders continue to expand output and gain market share over smaller commercial and backyard farms, which are disproportionately hit by falling pork prices and African Swine Fever. Commercial farms (Rosstat's term is "Agricultural Enterprises") accounted for 78.3 percent of pork production in 2015, and the share of industrial producers is expected to further increase in 2016 and 2017 as the GOR commits to continue its policies aimed at modernization of the pork production industry by supporting the projects financed by major agricultural companies.

According to the National Union of Pork Producers (NUPP), old pork production plants inherited after soviet times accounted for 86 percent of country's industrial pork production in 2005. The same source estimates that GOR has spent approximately 132 billion rubles from the federal budget to support the modernization of pork production sector between 2008 and 2016. Most of these funds were spent to subsidize the interest rates on investments loans taken by major swine meat producers. As a result of private and public investments, 185 new pork production plants have begun operations since 2010 and 75 old plants have been modernized. NUPP anticipates that pork industry modernization will be complete by 2020, and 85 percent of pork will be produced at newly constructed large-scale production facilities.

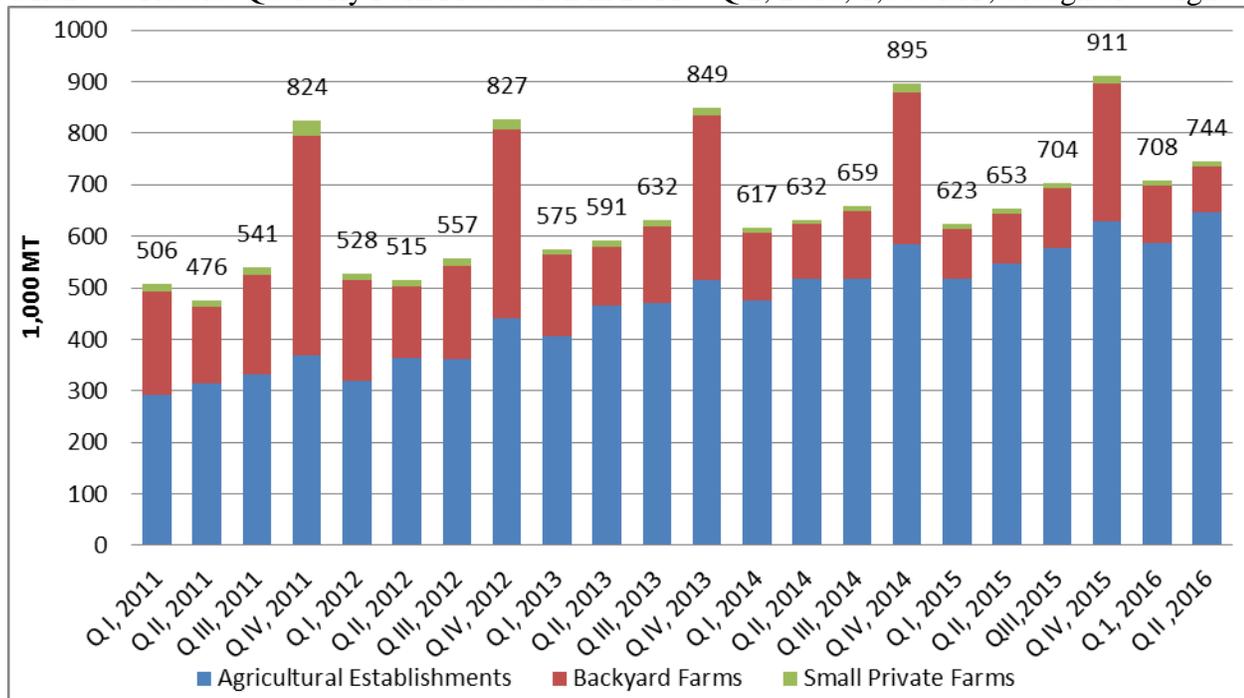
Chart 6. State Program of Pork Production Development in 2008-2016. (as allocated in Federal Budget; Million Rubles).



Source: National Union of Pork Production

Because federal and regional revenues declined in 2015 and 2016 due to falling world oil prices, the GOR reduced spending and announced a 10 percent budget reduction in January 2016. In January-May 2016 Federal budget revenues dropped 13.3 percent compared to the same months of 2015. Monetary and financial regulators are pursuing the following goals: a budget deficit limited to 3 percent of GDP, a return to 3-year budget planning in 2016, and a 4 percent annualized CPI target in 2017. In July 2016 the government [reportedly](#) approved a three-year spending freeze at 15.78 trillion Rubles in nominal terms (USD 248 billion). From 42 state programs, 36 may be reduced in nominal terms. Prime Minister Medvedev later [confirmed](#) that agricultural support programs will remain at 2016 levels, but Agricultural Minister Tkachyov [admitted](#) that 54 budget lines for agricultural programs may be consolidated to 7 lines. The new budget shall be approved by the new State Duma after the elections, which will take place September 18, 2016. Some changes in support of the pork sector are possible, but most likely the main focus of GOR efforts will remain on the reduction of the cost of credit for major projects.

Chart 7. Russia: Quarterly Pork Production in 2011 – Q 2, 2016; 1,000 MT; Slaughter Weight



Source

: Emeat;

NOTE: Not Official USDA data; may include products not reportable in PSD

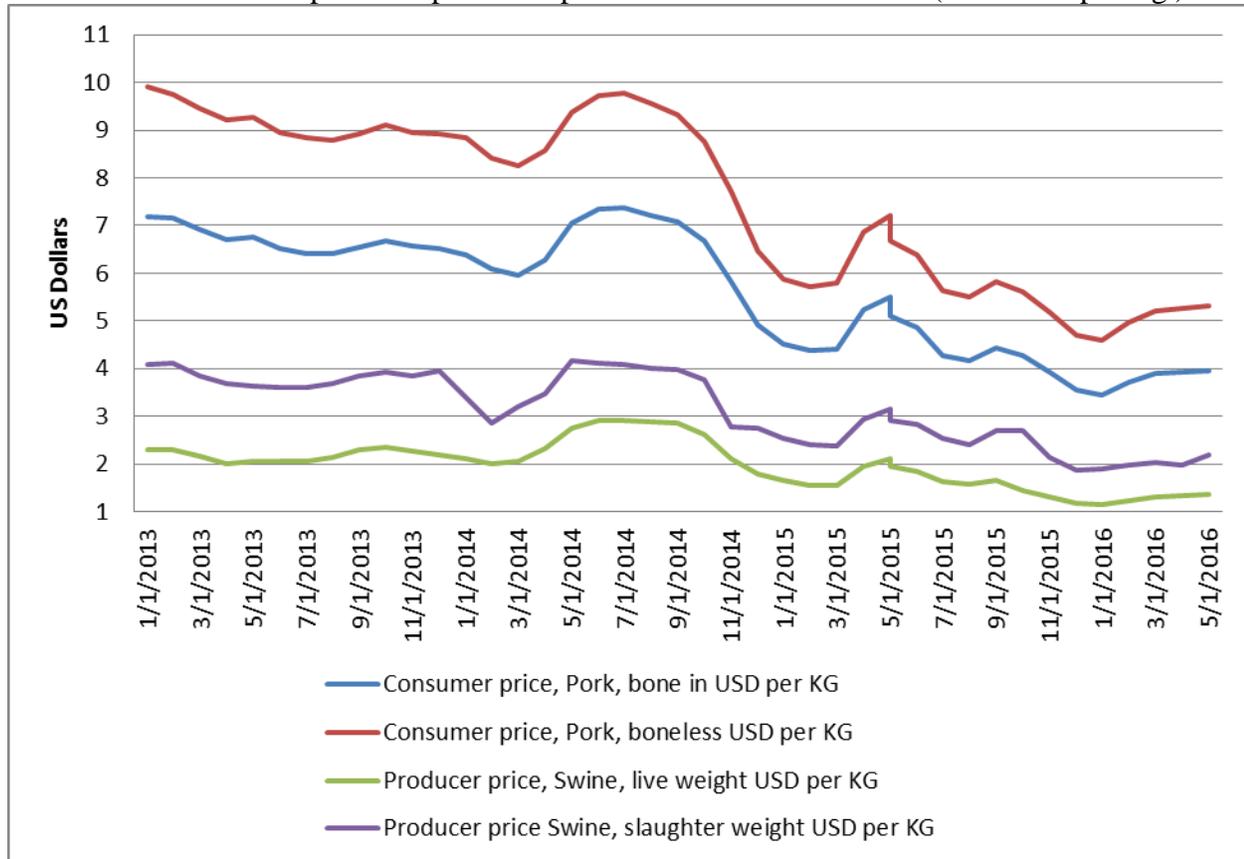
After the series of SPS bans and [counter-sanctions restrictions](#),¹⁸ pork prices peaked in the 3rd quarter of 2014 due to market shocks and interruption of supply. High margins motivated local producers and non-restricted exporters to expand their operations and the missing supplies were replaced fast. Strong inflow of investments in pork production in 2014 was followed by a long-term decline in demand for red meats. The sharp depreciation of the ruble in October 2014 triggered the on-going economic downturn of 2015-2016 that impacted the disposable incomes of Russian consumers who shifted their preferences to more affordable poultry.

Pork prices have been volatile and trending downward since the beginning of 2015 due to increased seasonality of demand and fluctuations of the ruble exchange rate. The declining price trend indicates the excessive supply of pork in the current market, and a further drop of consumer pork prices is highly probable due to intense competition for price sensitive consumers. According to “Emeat” the average price for pork half carcasses of Category 1 in the Central Federal District of Russia in August, 2016 was 157.3 RUB/kg which is 12.7 percent decrease year-on-year. Considering increased production costs and the 7.2 percent inflation year-on-year reported by Rosstat in July 2016, the margins of pork

¹⁸ Between January and September 2014 Russia imposed an EU-wide SPS ban on imports of pigs, pork and other pig products from the European Union relating to outbreaks of African swine fever (ASF). Russia explained the restrictions by the requirements of the [Veterinary certificates](#). Russia also imposed individual import bans in respect of products originating in four EU member States: Estonia, Latvia, Lithuania and Poland (EU member State bans). In April 2014 the EU initiated WTO dispute over Russia saying Russia’s ban on pork from the entire European Union was not based on science and contravened the WTO Sanitary and Phytosanitary (SPS) Agreement. On August 19, 2016, the WTO ruled largely in favor of the EU. Russia has 60 days to appeal. Even if the EU is successful in getting Russia to lift its SPS ban, most EU pork products remain banned separately under its countersanctions food embargo program. For detailed information and the current status of the dispute, please refer to https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds475_e.htm

producers have dramatically deteriorated. NUPP estimates that up to two thirds of pork operations may suffer financial losses in 2016, which may open up room for growth to the most efficient diversified businesses.

Chart 8. Consumer and producer prices for pork in Russia in 2013-2016 (US Dollar per Kg.)



Source

: FAS/Moscow estimate based on Rosstat price statistics; Central Bank of Russia exchange rate data

NUPP has recently summarized the expansion plans of several top-20 companies ([ABH “Miratorg”](#); [“Rusagro” Group](#); [“Cherkizovo” Group](#); [“Agro-Belogorje” Group](#); [“AgroProm Komplektatsia” Group](#); [“Sibirskaya Agrarnaya Gruppa” ZAO](#); [“Agroeko” LTD](#); [“Kamsky Bacon” LTD](#)). According to NUPP, these companies plan to invest approximately 217 billion rubles in new projects and increase output by 1.1 million MT (live weight) of pork by 2020. The reduced profitability in the pork sector, competition with pork imports and increased supply of poultry meat, as well as the worsening epizootic situation in swine may constrain the implementation of all the expansion plans, but most of the top-20 companies will likely accelerate production in 2017 which will offset production losses due to ASF and bankrupt farms.

Most of the pork industry leaders are located in the Central Federal District of the Russian Federation, which produced 916,000 MT of pork (live weight) in the first half of 2016, an increase of 108,000 MT (live weight) compared to 2015. In January-June 2016, industrial pork production also grew in other significant regions: Volga Federal District (+40,000 MT live weight), North-Western Federal District

(+27,000 MT live weight), and Ural Federal District (+20,000 MT live weight).¹⁹ Rosstat reports 15.8 percent year-on-year growth of pork production by industrial enterprises during the first half of 2016. The average growth rate in January-June 2016 was 12 percent, if all types of operations including backyard farms are taken into consideration. FAS Moscow expects growth to slow in the second part of the year due to limited consumer demand and reduced output by backyards hit by the record ASF outbreak. Considering the strong start of the year, FAS/Moscow revised its 2016 pork production forecast upwards to 2.77 MMT (CWE), which is almost 6 percent annual growth.

Pork Trade

FAS/Moscow forecasts 400,000 MT (CWE) of pork imports in 2017, anticipating no major changes from the revised 2016 volume, 410,000 MT (CWE). Favorably priced pork, mostly frozen pork cuts (HS Code 020329) from Brazil remain in demand despite growing domestic production. Brazil will likely remain a key supplier, but actual imports will strongly depend on world pork prices and the exchange rate of Brazilian Real.

2017 will be the third year absent pork exports from significant western suppliers due to multiple SPS restrictions and “counter-sanctions” ban²⁰. At the same time, 2017 is the third year of intensive consolidation of Russian meat traders. The current trade regime of TRQ for fresh, chilled or frozen pork (HS 0203) shall be applied until December 31, 2019. As of January 1, 2020, the Russian Federation will adopt a tariff-only regime for pork with a bound duty of 25 percent.

Russian importers are currently allowed to bring in 400,000 MT of pork and 30,000 MT of pork trimmings under zero percent in-quota tariff rate. Out-of-quota volumes are not limited, but the 65 percent rate reduces the price competitiveness of imported pork in the current market.

Customs clearance of goods subject to TRQs is carried out on the basis of an import license issued by the Russian authorities²¹. The distribution of quotas within TRQs on pork (as well as on beef and poultry) is based on the 3-year historical shares of the applicants in imports. Those importers who shipped more in 2014, 2015, and 2016 (in and out of quota) can receive bigger in-quota volume in 2017 and 2018. Assuming that Brazilian exporters will be able to offer favourable prices in 2017, in-quota pork imports will likely stabilize at a level comparable to the 2016 volume.

As of August 07, 2016, 31 percent of pork TRQs have been utilized: approximately 135,000 MT of pork meat was imported in-quota, while in August 2015 only 107,000 MT had been shipped under TRQ and only 25 percent of quota was utilized. According to the Federal Customs Service, Russia imported 144,892 MT of frozen pork from Brazil in January-June 2016, which is 58 percent increase compared to the first half of 2015. Russian importers have paid on average USD 1,636 per MT of Brazilian frozen swine meat, which is roughly 35 percent less than the average price in 2015. Brazil accounted for 89 percent of Russian pork imports in the first half of 2016 and is expected to remain the key player in

¹⁹ Source: Rosstat

²⁰ For the original Russian ban, related amendments and other effective trade restrictions please see GAIN reports [RSATO017 Russia Announces Ban on Many US Agricultural Products](#); [RS1455 Amended List of Banned US Agricultural Products](#); [RS1540 Russian Food Ban Extended Until August 2016](#); [RFATO030 Russia Bans Turkish Produce Starting January, 1 2016](#); [UP1602 Ukraine Trade Regime Change](#)

²¹ The Ministry of Economic Development has a mandate to distribute country quota; the Ministry of Industry and Trade issues import licenses.

2017. Other exporters continuing pork shipments to Russia are Chile (3.87 percent of imports; 6,281 MT), Belarus (3.34 percent; 5,413 MT), and Serbia (0.8 percent; 1,299 MT). The remaining non-banned suppliers together account for approximately 2 percent of Russia pork imports.

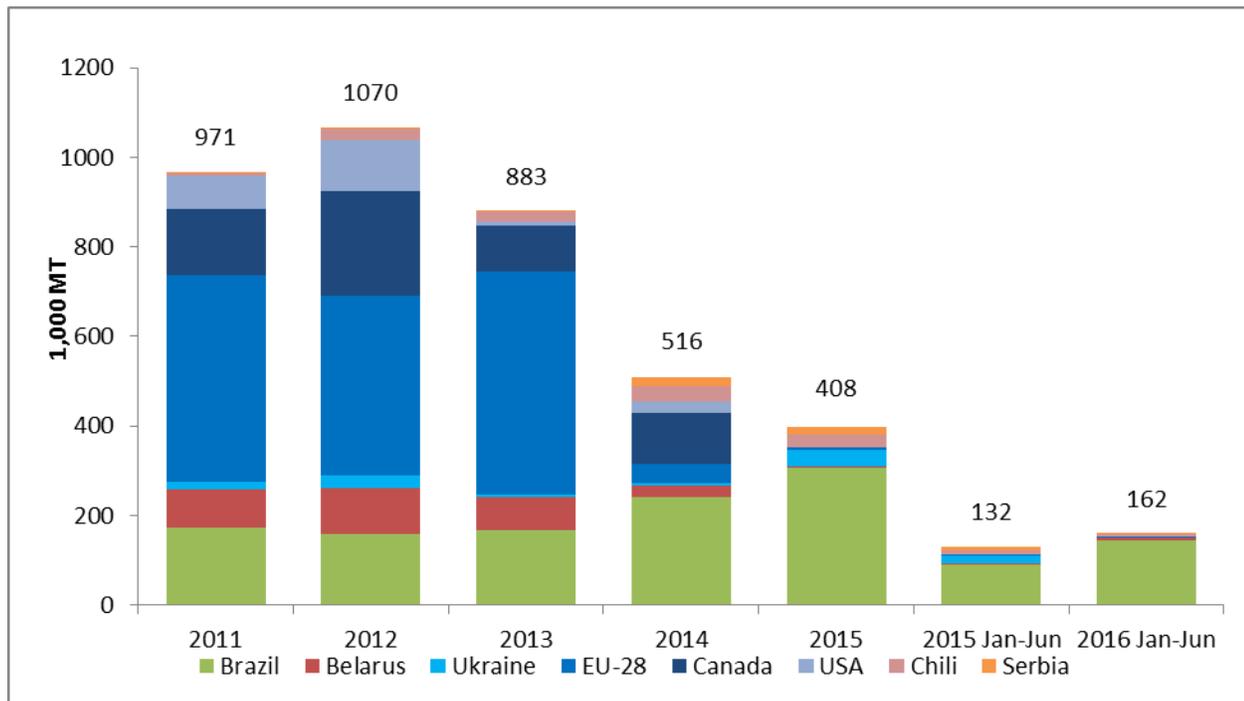
In January-June 2015, 84 percent of Russia's pork imports were HS Code 020329 ("Meat of Swine, Nesoi, Frozen") and 8 percent were HS Code 020321 ("Carcasses and Half-Carcasses of Swine Frozen"). Belarus ships 78 percent of Russia's chilled pork imports and 56 percent of the imports of prepared or preserved pork (HS code 160249).

FAS/Moscow revised the 2016 pork import forecast significantly upwards to 410,000 MT (CWE) from the previous 355,000 MT (CWE), which is a minor increase from 2015 imports. The correction was needed mostly due to Brazilian pricing policies in the first half of 2016. Brazilian exporters offered very attractive prices to Russian buyers, mostly the producers of processed meat products (sausages, salami, and half-cooked meat products for restaurant chains). For example, on August, 15, 2016, the price for half-carcasses imported from Brazil (CIF, St. Petersburg) was 115.8 Rub/Kg (1.80 USD), compared with 172.1 Rub/Kg (2.67 USD/Kg) – the average wholesale price for half-carcasses produced in the Central Federal District of Russia²². The most popular cuts for imports are boneless collar, boneless leg, and boneless shoulder. Boneless loin is a seasonal product imported by meat processors for popular pork deli products.

Pork imports in Russia are traditionally higher in the 3rd and 4th quarters of the year; however, the prices and exchange rates of Ruble and Real, rather than seasonality, will be the key determinants of pork imports midterm. In July-August 2016 pork prices for half-carcasses in Brazil grew after JBS SA, the largest meat producer and exporter, raised prices to offset losses due to the weak Real and increased production costs, specifically for feeds. As it was mentioned above, the volume of Brazilian pork shipments to Russia in the second half of 2016 will be price sensitive and will strongly depend on pricing policies of the key exporting companies in Latin America.

²² Source: E-meat

Chart 9. Russia: Pork Imports in 2011- Jun 2016 (1,000 MT; CWE)



Source: Federal Customs Service of Russia; Belstat

FAS/Moscow forecasts Russian pork exports to reach 20,000 MT (CWE) in 2017, unchanged from the exports projected in 2016. The Federal Customs Service of Russia reported pork exports increased 342 percent in January-June 2016 to 9,376 MT (CWE), mostly to Ukraine (5,473 MT CWE), Belarus (2,130 MT CWE), and Kazakhstan (1,107 MT CWE). Almost 60 percent of Russia's pork exports in 2016 were shipments to Eastern Ukraine of products under HS Code 020311 (Carcasses and Half-Carcasses of Swine, fresh or chilled) and HS Code 020321 (Carcasses and Half-Carcasses of Swine, frozen).

Any mid-term growth of pork exports from Russia is unlikely due to restrictions related to ASF. However, trade expansion is possible in the long-term. Industry has recognized the importance of exports for further development, and the leading companies consider growth of export operations in their long-term strategies. For example, major agricultural company [Rusagro](#) (ROS AGRO PLC) plans to expand its pork production in Primorsky Krai (the Russian Far East) to 100,000 MT by 2020, which is the first stage of a major project targeting Asian markets. Russia hopes to export pork to China, but is facing difficulties in resolving sanitary issues.

Pork Consumption

FAS/Moscow forecasts domestic pork consumption to grow to 3.280 MMT in 2017 as industry leaders compete for market share and will likely offer very attractive prices to consumers. Low broiler meat prices as well as a growing supply of turkey meat will be pressing pork prices downward²³.

²³ Please refer to [RS 1642 2016 Poultry and Products Annual Report](#) for FAS/Moscow poultry market outlook and forecast of broiler meat consumption in Russia.

FAS/Moscow also revised 2016 consumption forecast to 3.160 MMT, which is 4.7 percent increase from 2015. Pork meat will likely start regaining the market share it lost as a result of the multiple market shocks in 2014-15.²⁴ The forecast depends on the assumption that Russia will return to marginal annual GDP growth in 2017 with some improvement of consumers' disposable incomes²⁵.

Multiple reports show that consumers continue to look for the best prices and up to 80 percent of pork in retail stores is sold at discounted price in promotional sales²⁶. While price remains the key factor for consumers, the importance of brands is also growing. Meat was traditionally sold under “no name category” in Russia, but the share of branded products in consumer packaging has increased over the last decade and is expected to grow at an accelerated rate. The market premium for branded products compared to “no name” products may reach 10-30 percent, which is a significant competitive advantage considering the low margins in the sector. As the pork market becomes more mature, competition between leading national brands, local brands, and private labels intensifies. The economic downturn of 2014-2016 resulted in the expansion of private labels, which are expected to gain up to 30 percent of the market in one-two years. According to a recent Nielsen²⁷ market research study, 83 percent of Russian consumers buy private-label products, 53 percent noticed the increase of private-label goods, and 34 percent noticed improved quality in these products. This study also found that 81 percent of consumers prefer meat products originating in Russia. Moreover, according to marketing experts, consumers in the regions are loyal to local brands and very conservative in terms of switching to new products.

²⁴ Domestic pork consumption dropped 8 percent in 2014 compared to 2013; and remained at the same level in 2015.

²⁵ In the first quarter of 2016, GDP contracted by 1.2 percent year-on-year, significantly less than the -3.8 percent in the fourth quarter of 2015 (a revised seasonally adjusted quarter on-quarter series is not available). Russia 2017 GDP forecast has been recently revised upwards by multiple institutions to 1.3 – 1.4 % annual growth.

²⁶ Source: Agriinvestor Magazin # 8, 2016 Article “Agroholdings on Retail Shelves ”

²⁷ <http://www.nielsen.com/ru/ru/insights/news/2016/private-label-Russia-2016.html>

Production Tables

Table 5. Livestock and Poultry Production Summary January - June 2016, All Farm Types

	January - June 2015	January - June 2016	2016 to 2015, % change
All Farm Types			
Cattle and poultry production; live weight; million MT	5.9	6.2	6.04%
Raw Milk; million MT	15.16	15.15	-0.04%
Eggs; billion pc	21.25	21.79	2.57%
Livestock count as of July 1st 2016; million heads:			
Cattle	20.4	19.92	-2.15%
Including cows	8.6	8.4	-2.08%
Swine	21.8	23.4	7.14%
Sheep and goats	27.92	27.85	-0.23%
Poultry	561.7	564.4	0.5%
Agricultural Establishments			
Cattle and poultry production; live weight; million MT	4.59	4.97	8.34%
Raw Milk; million MT	7.51	7.68	2.34%
Eggs; billion pc	16.54	17.12	3.55%
Livestock count as of July 1st 2016; million heads:			
Cattle	8.67	8.58	-1.1%
Including cows	3.41	3.36	-1.5%
Swine	17.22	18.92	9.88%
Sheep and goats	5.19	5.17	-0.37%
Poultry	430.22	434.76	1.1%
Private Households			
Cattle and poultry production; live weight; million MT	1.12	1.09	-3.14%
Raw Milk; million MT	6.70	6.48	-3.24%
Eggs; billion pc	4.53	4.46	-1.48%
Livestock count as of July 1st 2016; million heads:			
Cattle	9.31	8.88	-4.49%
Including cows	4.06	3.89	-4.33%
Swine	4.15	3.98	-4.12%
Sheep and goats	12.74	12.70	-0.37%
Poultry	121.2	119.1	-1.81%
Private (Peasant) Farms			
Cattle and poultry production; live weight; million MT	0.169	0.177	4.38%
Raw Milk; million MT	0.953	0.989	3.76%
Eggs; billion pc	0.175	0.202	15.15%
Livestock count as of July 1st 2016; million heads:			
Cattle	2.375	2.449	3.12%

Including cows	1.122	1.171	4.36%
Swine	0.456	0.485	6.2%
Sheep and goats	9.97	9.97	0%
Poultry	10.214	10.571	3.49%

Source: Rosstat

Table 6. Cattle Production for Slaughter; All Farm Types (live weight, 1,000 MT Federal Districts)

	All Farm Types			Agricultural Establishments		
	January - June 2015	January - June 2016	Change 2015 to 2016; %	January - June 2015	January - June 2016	Change 2016 to 2015; %
RUSSIAN FEDERATION	1079.07	1077.4	-0.15%	425.62	439.53	3.26%
CENTRAL DISTRICT	212.41	221.56	4.31%	119.6	131.0	9.57%
NORTHWEST DISTRICT	38.35	39.33	2.54%	27.17	28.36	4.36%
SOUTHERN DISTRICT	151.56	154.55	1.97%	32.69	32.91	0.67%
NORTH-CAUCASIAN FEDERAL DISTRICT	111.78	106.63	-4.61%	12.57	10.41	-17.16%
THE VOLGA FEDERAL DISTRICT	331.64	320.31	-3.41%	132.01	136.13	3.12%
URAL FEDERAL DISTRICT	50.85	48.73	-4.16%	24.24	22.99	-5.17%
SIBERIAN FEDERAL DISTRICT	158.18	159.02	0.53%	72.79	73.90	1.51%
FAR EASTERN FEDERAL DISTRICT	13.71	13.63	-0.6%	3.01	3.23	7.50%

Source: Rosstat

Table 7. Swine Production for Slaughter; All Farm Types (live weight, 1,000 MT Federal Districts)

	All Farm Types			Agricultural Establishments		
	January - June 2015	January - June 2016	Change 2015 to 2016; %	January - June 2015	January - June 2016	Change 2016 to 2015; %
RUSSIAN FEDERATION	1766.92	1980.39	12.08%	1453.25	1683.50	15.84%
CENTRAL DISTRICT	858.41	964.85	12.4%	808.21	916.78	13.43%
NORTHWEST DISTRICT	113.09	141.28	24.92%	109.06	136.96	25.57%
SOUTHERN DISTRICT	97.57	109.26	11.98%	64.81	77.29	19.25%
NORTH-CAUCASIAN FEDERAL DISTRICT	38.22	36.65	-4.09%	20.10	22.79	13.37%
THE VOLGA FEDERAL DISTRICT	297.91	337.82	13.39%	220.52	260.47	18.11%
URAL FEDERAL DISTRICT	104.54	123.62	18.25%	81.96	101.29	23.57%
SIBERIAN FEDERAL DISTRICT	213.59	225.56	5.60%	133.30	148.80	11.62%
FAR EASTERN FEDERAL DISTRICT	20.31	22.17	9.11%	8.29	11.07	33.41%

Source: Rosstat

Table 8. List of 20 largest Russian pork-producing companies in 2015

# in 2015	Company Name	Pork Production in 2014 ; live weight; 1,000 MT	Pork Production in 2015 ; live weight; 1,000 MT	Change in production; Live weight 1,000 2014/15	Share in total industrial production; percent in 2014/ 2015 **
1	ABH "Mirtatorg"	369.9	384.9	15.00	12.7 / 12.2
2	"Rusagro" Group	183.8	187.82	4.20	6.3 / 6.0
3	"Cherkizovo" Group	178	169.56	-8.44	6.1 / 5.4
4	"Agro-Belogorje" Group	162.9	162.85	-0.50	5.6 / 5.2
5	"Sibirskaya Agrarnaya Gruppa" ZAO	91.1	106.25	15.50	3.1 / 3.4
6	"AgroProm Komplektatsia" Group	67.3	102.13	34.83	2.3 / 3.2
7	Agro Industrial Holding "KoPitania"	80.6	93.20	12.60	2.8 / 3.0
8	"Velikolukskiy Pork Plant" LTD	58.0	85.22	27.22	2 / 2.7
9	"Agro Industrial Corporation Don"	61.1	69,19	8.09	2.1 / 2.2
10	"Ostankino" Group	60.0	65.00	5.00	2.1 / 2.1
11	"Agrofirma Ariant"	46.8	61.90	15.10	1.6 / 2.0
12	"Exima" Agro Industrial Holding	58.3	61.00	2.7	2.0 / 1.9
13	"Belgrankorm" LTD	38.2	58.74	20.54	1.3 / 1.9

14	“Agroeko” LTD	33.7	55.25	21.55	1.2 / 1.8
15	“Kamsky Bacon” LTD	48.9	49.01	0.11	1.7 / 1.6
16	“Prodo Management” LTD	47.2	44.80	-2.4	1.6 / 1.4
17	“Komos” Group	39.7	41.72	2.02	1.4 / 1.3
18	Agro Holding “Talina”	40.4	41.19	0.79	1.4 / 1.3
19	Agro Holding “Ohotno”	34.4	39.63	5.23	1.2 / 1.3
20	“Zvenigovsky SPK” LTD	37.1	38.10	1.00	1.3 / 1.2
	Top 20 producers; total	1738	1917.47	179.47	59.6 / 60.8
	Other industrialized producers	1180	1236.58	56	39.2

Source: National Union of Pork Producers <http://www.nssrf.ru/>

*Industrial production includes output of agricultural organizations and small-private farms

Trade Tables

Table 8. Russian Imports of Live Cattle, Calendar Year: 2011-2015, & Year To Date: 06/2015 & 06/2016 Quantity (Head); Major Suppliers

Partner Country								% Change Jan-Jun 2015/2016
	2011	2012	2013	2014	2015	Jan-Jun 2015	Jan-Jun 2016	
World	94,468	137,613	97,003	74,647	144,238	52,065	40,793	-21.65%
United States	19,092	74,734	51,534	16,386	3,427	3,427	0	-100.00%
Australia	31,979	36,645	34,519	31,710	54,605	37,511	26,672	-28.90%

EU-28	36,140	24,372	9,313	24,976	28,177	7,710	9,892	28.30%
<i>Netherlands</i>	14,366	785	0	6,836	9,564	1,244	5,666	355.5%
<i>Denmark</i>	3,128	10,811	3,462	3,115	3,017	715	451	-36.92%
<i>France</i>	902	0	283	2,260	1,794	354	583	64.69%
<i>Hungary</i>	2,288	3,874	3,513	1,864	2,556	619	1,187	91.76%
<i>Slovakia</i>	1,306	1,194	879	128	941	842	0	-100%
Canada	6,763	1,862	1,587	216	5	0	0	0.00%
Belarus	*719	*528	*47	574	5811	2,679	3,782	41.17%
Kazakhstan				145	50,673	0	147	
Others	494	0	3	640	1,540	738	300	-59.35%

Source: Federal Customs Service of Russia;

*Belstat;

Table 9. Russian Imports of Pork, CWE, Annual Series: 2011 - 2015, & Year To Date: 06/2015 & 06/2016 Quantity (MT); Major Suppliers

	Calendar							2016/2015 Change %
	2011	2012	2013	2014	2015	2015 Jan- June	2016 Jan- June	
World	970,654	1,069,869	882,528	516,001	408,386	132,099	162,143	22.7%
Brazil	172,965	159,006	167,118	241,354	305,627	91,318	144,892	58.7%
Belarus	84,586*	103,217*	72,919*	24,996*	5,195*	1,507	5,413	259.2%
Ukraine	16,521	27,469	6,447	5,938	35,285	17,963	320	-98.2%
EU-28	463,591	401,896	499,103	42,560	5,967	2,470	2,046	-17.2%
Canada	145,622	233,499	103,169	115,212	0	0	0	0.0%
USA	75,420	114,325	7,718	25,936	0	0	0	0.0%
Chili	6,869	24,107	22,361	31,830	30,805	9,107	6,281	-31.0%
Serbia	498	3,439	835	20,021	15,163	6,456	1,299	-79.9%
China	0	0	0	4,645	6,026	2,259	0	-100.0%
Paraguay			2,840	2,463	2,048	606	845	39.4%
Others	4,582	2,911	18	1,046	2,270	413	1,047	153.5%

Source: Federal Customs Service of Russia; *Belstat;

Table 10. Russian Imports of Beef, CWE, Annual Series: 2011 - 2015, & Year To Date: 06/2015 & 06/2016 Quantity (MT); Major Suppliers

Partner country	Calendar Year							2016/2015 Change, %
	2011	2012	2013	2014	2015	2015 Jan- June	2015 Jan- June	
World	990,504	1,023,393	1,023,196	928,640	621,055	266,375	240,907	-9.6%
Brazil	313,824	348,468	434,887	433,649	229,795	101,288	84,646	-16.4%
Belarus	*143,469	*146,648	*206,548	*177,923	177,101	81,538	109,644	34.5%
Paraguay	70,670	167,257	195,211	181,761	132,294	57,081	38,632	-32.3%
EU-28	113,037	73,238	45,064	37,710	167	69	39	-43.5%

Uruguay	108,53 9	92,218	49,492	33,123	8,841	2,735	495	-81.9%
Argentina	20,859	12,506	20,830	32,165	9,259	3,427	1,538	-55.1%
Ukraine	17,314	19,838	23,965	19,375	35,50 7	14,22 3	265	-98.1%
Australia	91,351	47,779	37,930	3,054	0	0	0	0.0%
Others	111,44 1	115,44 1	9,269	9,880	28,09 1	6,014	5,648	-6.1%

Source: Federal Customs Service of Russia; *Belstat

Table 11. Russian Imports of Live Cattle
 Calendar Year: 2011–2015 & Year To Date: 06/2015 & 06/2016 Quantity (Head); Cattle Types

HS Code	Description	Calendar Year							
		2011	2012	2013	2014	2015	Jan/June 2015	Jan/June 2016	YTD % Change
0102	Bovine Animals, Live	94,468	137,613	97,023	74,647	144,238	52,065	40,793	-21.6%
10221/010210	Cattle, Live, Purebred Breeding	86,534	136,982	96,894	41,958	33,065	12,262	10,252	-47.6%
10229	Cattle, Live, Other Than Purebred Breeding	0	432	0	32,082	59,895	39,245	30,394	-22.5%
010290	Bovine Animals, Live, Nesoi	7,394	199	69	163	641	550	147	-73.2%
010231	Buffalo, Live, Purebred Breeding	0	0	60	19	50,631	8	0	-100%

Source: Federal Customs Service of Russia